

Message Text

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C O N F I D E N T I A L SINGAPORE 0714

E.O. 11652: GDS

TAGS: EINV, ETRD, ECIN, ASEAN

SUBJ: ASEAN INDUSTRY CLUBS/TRADE FAIR

REF: SINGAPORE 678

1. EMBOFF TALKED WITH LEE ONG PONG, EXECUTIVE DIRECTOR, SINGAPORE MANUFACTURERS ASSOCIATION (SMA) FEBRUARY 14. DISCUSSION COVERED UPCOMING ASEAN TRADE FAIR AND INDUSTRY CLUBS/ASEAN CCI.

2. CONCERNING THE TRADE FAIR, LEE SAID THAT 14 - 16 COMPANIES WOULD BE EXHIBITING AT MANILA. HE EXPLAINED THE SMALL TURNOUT BY SAYING THAT SINGAPORE BUSINESSMEN WERE RESULT-ORIENTED AND WERE SKEPTICAL ABOUT THE FAIR IN GENERAL. BUSINESSMEN, LEE SAID, DO NOT EXPECT MANY FOREIGN BUYERS TO ATTEND THE SHOW; MANILA WAS OFF THE BEATEN TRACK FOR BOTH EASTERN AND WESTERN VISITORS TO THE CANTON FAIR, AND THE MAIN REASON FOR THE ATTENDANCE OF SINGAPOREAN COMPANIES WAS TO SELL INTO THE PHILIPPINE MARKET. THERE ARE MANY OBSTACLES TO THIS OBJECTIVE HOWEVER; LEE SAID THAT THE PHILIPPINES WILL ALLOW THE REMITTANCE OF ONLY
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U.S. \$50,000 PER COUNTRY, AFTER TAXES, AS A RESULT OF SALES MADE AT THE FAIR. (COMMENT: WE UNDERSTAND FROM PREVIOUS REPORTING THAT THE PHILIPPINES HAD ORIGINALLY DEMANDED THAT ALL ITEMS IMPORTED INTO THE PHILIPPINES BE RE-EXPORTED. THIS CONCESSION, IF ONE MAY CALL IT THAT, IS CERTAINLY NOT MUCH IMPROVEMENT.) ANOTHER PROBLEM, ACCORDING TO LEE, IS THAT THE SMA HAS BEEN UNABLE TO PRY A LIST

OF "XENSITIVE ITEMS" FROM THE GOP AND THUS IS NOT CERTAIN OF WHICH ITEMS CAN BE SOLD AT ALL BY SINGAPORE MANUFACTURERS ATTENDING THE FAIR.

3. ON INDUSTRY CLUBS AND THE ASEAN CCI, LEE SAID THE GOS IS TAKING A HANDS-OFF POLICY. HE COMMENTED THAT THE SMA IS FAIRLY WELL INFORMED ABOUT WHAT OTHER ASEAN GOVERNMENTS ARE DOING THROUGH THE CCI BECAUSE THE BODY'S MEETINGS CONTAINED A LARGE PORTION OF GOVERNMENT REPRESENTATIVES. THIS INFORMATION, HE SAID, IS GENERALLY MUCH MORE COMPLETE THAN THAT WHICH THE SMA RECEIVES FROM ITS OWN GOVERNMENT. SAYING "YOU MAY NOT BELIEVE THIS," HE CLAIMED THAT THE INDONESIANS AND FILIPINOS, ESPECIALLY, WERE SUSPEICIOUS OF THE SINGAPORE CCI CONTINGENT AND INTERPRETED ITS RELATIVE SILENCE AT CCI MEETINGS AS A SIGN THAT SINGAPORE WAS BUSY HATCHING SCHEMES TO FURTHER ITS OWN INTERESTS AT THE EXPENSE OF ITS ASEAN BRETHREN. IN FACT, LEE SAID, THE SIGNAPOREANS USUALLY HAVE NOTHING TO SAY BECAUSE THEY ARE ALMOST COMPLETELY UNINFORMED OF THE STATE OF PLAY WITHIN THE ASEAN CHAMBER. (COMMENT: LEE IS BEING SOMEWHAT DISINGENOUS, SINCE SINGAPORE CERTAINLY HAS STRONG IDEAS ABOUT THE DIRECTIONS IT WANTS ASEAN TO TAKE AND IS NOT PARTICULARLY LOATH TO EXPRESS ITS VIEW WHEN ON SOLID GROUND. THE REPUTATION OF SINGAPORE AS "SMART ALECKS," TO USE LEE'S PHRASE, MAY NOT BE ENTIRELY UNDESERVED. END COMMENT.)
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4. EMBOFF MENTIONED THE FEARS OF SOME AMERICAN BUSINESSMEN IN ASEAN COUNTRIES THAT THE INDUSTRY CLUBS MIGHT BE AIMING TOWARD FORMATION OF A CARTEL WHICH WOULD SET PRICES AND ALLOCATE QUOTAS FOR MANUFACTURERS WITHIN AN INDUSTRY. SAYING THAT HE THOUGHT THE SINGAPORE GOVERNMENT WOULD AGREE WITH HIS POSITION, LEE STRESSED THAT THE SMA WOULD DO ITS UTMOST TO PREVENT ANY CARTELIZATION OF ASEAN INDUSTRIES. HE SAID SINGAPORE THRIVED ON FREE COMPETITION AND IT WOULD MOST CERTAINLY NOT BE IN THIS COUNTRY'S INTEREST TO AGREE TO ANY MOVEMENT TOWARD MARKET SHARING WHICH WOULD DECREASE EFFICIENCY AND INHIBIT COMPETITION. HE SAID HIS GOVERNMENT WOULD FAVOR A FREE TRADE AREA MODELED AFTER THE EEC, AS LONG AS THERE WERE NO TARIFF WALLS AMONG THE FIVE COUNTRIES AND NO PROHIBITION OF ENTRIES OF NEW FIRMS INTO A FIELD. FOR EXAMPLE, HE SAID, THERE SHOULD BE FREE COMPETITION BETWEEN THE FILIPINOS AND SINGAPOREAN TIRE MANUFACTURERS WITHIN ASEAN IN ORDER TO PROMOTE THE BEST QUALIFIED AND MOST EFFICIENT MANUFACTURER. ANY DECISION TO BUILD AN "ASEAN CAR" WITH ONE COUNTRY DESIGNATED AS THE SUPPLIER OF TIRES, HE SAID, WOULD BE OPPOSED BY THE SMA.

5. LEE SAID HE PERSONALLY THOUGHT THAT ASEAN WAS MAINLY A POLITICAL ANIMAL WITH VERY LITTLE ECONOMIC SIGNIFICANCE. HE MENTIONED THE PROBLEMS INHERENT IN THE COMPETITIVENESS RATHER THAN COMPLEMENTARITY OF ECONOMIES OF SEVERAL OF THE MEMBERS BUT SAID THAT THERE WERE OBVIOUS POLITICAL BENEFITS TO BE GAINED BY THE GROUPING. HE DISMISSED THE ASEAN INDUSTRIAL PROJECTS OUT OF HAND, SAYING THAT THEY WERE ENTIRELY GOVERNMENT PROJECTS AND "WE HAVE NOTHING TO DO WITH THEM."

6. CONCERNING THE INDUSTRY CLUBS, LEE SAID THE SMA IS LENDING THEM ONLY MORAL SUPPORT. IT IS TOO EXPENSIVE, HE SAID, TO PROVIDE MONEY FOR DEFRAYING THE COST OF ATTENDANCE
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BY A SINGAPOREAN CONTINGENT AT THE INNUMERABLE MEETINGS BEING HELD. SINGAPOREAN BUSINESSMEN, HE SAID, ASK "WHAT'S IN IT FOR ME?" AND SEE ALMOST NO DOLLARS-AND-CENTS, PRACTICAL VALUE IN THE CLUBS. HE SAID THE SMA HAD AGREED THAT ANY INTERESTED PARTY IN A PARTICULAR INDUSTRY COULD FORM AN INDUSTRY CLUB AND OPERATE AS IT SEE FIT. HE SAID IT WAS UNLIKELY THAT THERE WOULD BE MUCH GOVERNMENT INVOLVEMENT IN CLUBS, IN MARKED CONTRAST TO THE ATTITUDE OF THE OTHER ASEAN GOVERNMENTS.

7. EMBASSY COMMENT: DIFFERENCE IN ATTITUDES AMONG ASEAN PARTNERS TOWARD ASEAN'S GOVERNMENTAL AND PRIVATE SECTOR ECONOMIC ACTIVITIES, NOT TO MENTION TOWARD POLITICAL OBJECTIVES, IS SUMMARIZED IN EPITHET NOW CURRENT IN GOS CIRCLES: "WE (ASEAN COUNTRIES) ARE LYING IN THE SAME BED DREAMING DIFFERENT DREAMS, BUT AT LEAST WE ARE IN THE SAME BED." BOTH THE GOS AND SINGAPORE PRIVATE SECTOR SEEM TO SEE NO PROSPECT THAT INDUSTRY CLUBS WILL HAVE MUCH EFFECT IN NEAR FUTURE, AND IN FACT WILL DO LITTLE TO PROMOTE THEIR DEVELOPMENT. THIS ATTITUDE IS UNDERSTANDABLE, GIVEN SINGAPOREANS' STRONG COMMITMENT TO FREE MARKETS AND PRIVATE ENTERPRISE, AND THEIR DISTRUST OF TRADE-LIMITING AGREEMENTS.
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